

### **Before You Begin**

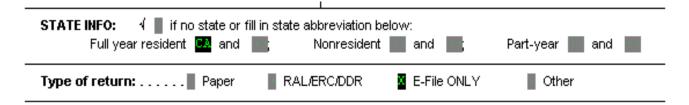
Load the California software onto your computer. Check with your site coordinator regarding site procedures for obtaining software. Once the California software is released by TaxWise, TWO users receive the download automatically.

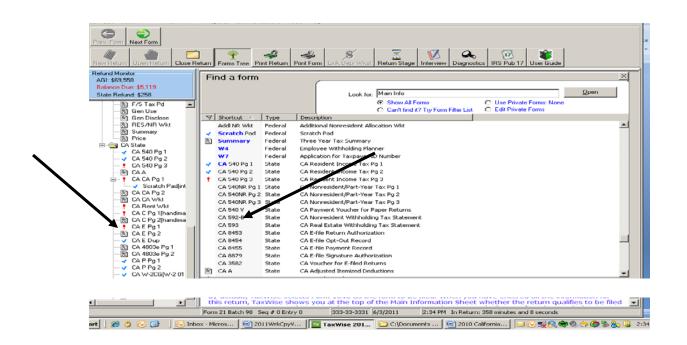
After obtaining the state software, find the CA 540 Page1 and other CA forms, following the federal forms, located on the "Find a form screen," or in the list of forms on the left side of your screen, in the "tree view."

Desktop users: If there are no state forms, use an active EFIN and download the state software from the Taxwise webpage at **taxwise.com**. A transmitting computer automatically updates with each transmission when updates become available.

TWO users: If there are no state forms, check to make sure the California software has been released and CA is indicated on the Main Info screen.

California residency must be indicated on the Main Info screen.





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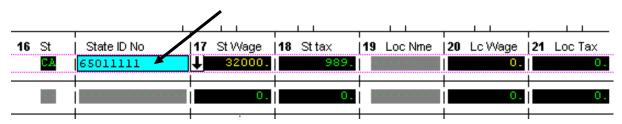


You must complete your client's federal tax return before you start the California tax return. Use information from W-2s, 1099s, and federal returns to complete the state tax return. Make sure to complete the following forms before beginning the Form 540:

- Main Information Screen.
- Form W2.
- Forms 1099.
- Federal Tax Forms.
- Federal Schedules.
- Any income supporting worksheets and schedules.

California requires that the state ID box on Forms W2, W2-G and 1099R include the employer's state ID number. If any of the forms above have a blank state ID, enter six **0** or six **9** digits in this field. How you complete the income statement determines how Taxwise applies the information based on California tax law.

TaxWise requires that all Forms W2, W2G, and 1099R are complete prior to beginning the state tax form.



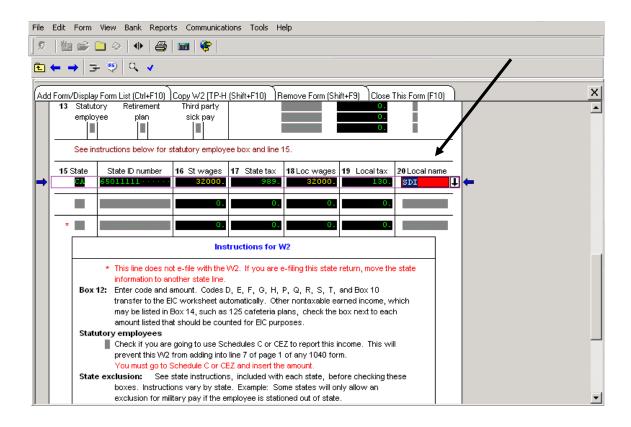
### **State Disability Insurance**

State Disability Insurance (SDI) is an itemized deduction on the federal tax return, but you subtract it from the state itemized deduction amount on Schedule CA (540). By following the instructions below, Taxwise reports SDI correctly for both federal and state purposes.

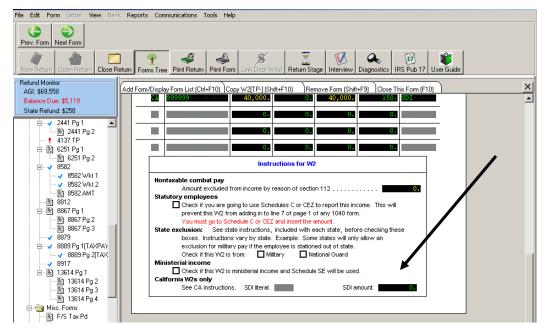
Many employers enter CA SDI in box 14 of the Form W-2. Do not input this information in box 14 of your screen. There are two options for correct SDI input. Enter SDI amounts in the California W2s Only box at the bottom of the W2 **or** enter the SDI amount in box 19 "Local tax" and the letters "SDI" in box 20 "Local name" (see example screen). **Do not enter SDI twice**. For additional information on SDI and to calculate excess SDI, please see the General Information Section.

**Important Note:** Box 14 is an information only box and will not correctly calculate the federal itemized deduction.





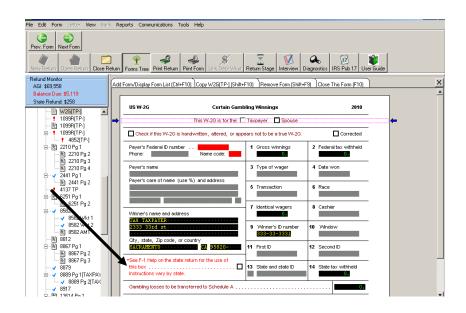
**Important Note:** Double check software for accuracy of SDI deduction on federal Schedule A.

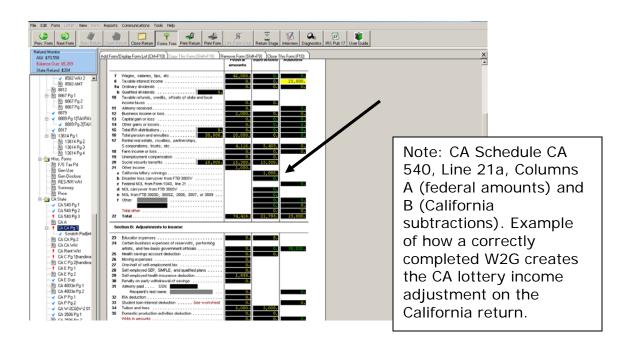




### W2G/California Lottery and Gambling Losses

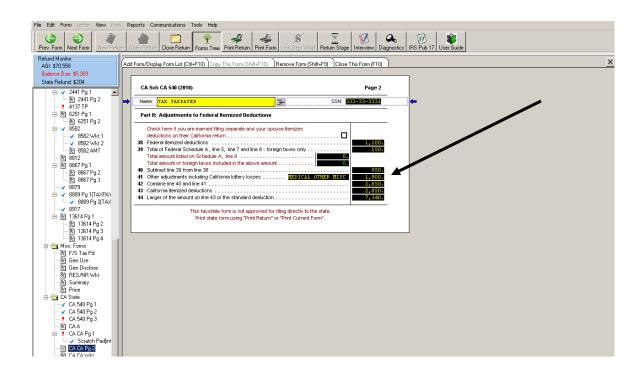
To exclude California lottery winnings from the state tax return, "X" the State box on W2G. When completed correctly, TaxWise deducts this income on the CA Schedule CA 540, line 21a.







TaxWise automatically subtracts California lottery losses claimed as a gambling loss on federal Schedule A when the State box on the W2G is checked and the losses are entered on form W2G.



See TaxWise CA Schedule CA 540, Page 2, line 41, and double check this automatic adjustment. Non-California lottery gambling losses are allowed as an itemized deduction up to the amount of gambling winnings.

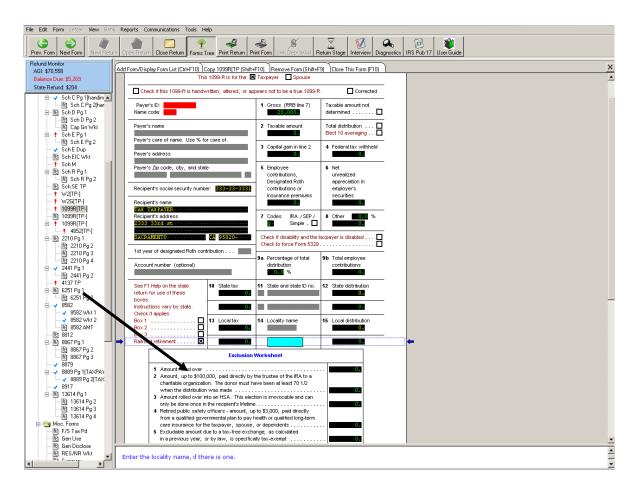
**Note:** California lottery losses are **not** deductible because California lottery winnings are **not** taxable.

### 1099R Pension and Railroad Retirement Income

Generally, federal and state treat pension income the same. Find additional and more detailed information in the General Information section and FTB Publication 1001, *Supplemental Guidelines to California Adjustments*.

If your client receives a 1099R with tier 1 or tier 2 railroad retirement income, "X" the "Railroad" box on Form 1099R to indicate the taxable income from this 1099R qualifies for subtraction on the CA Schedule CA.





Checking this box causes TaxWise to deduct the income on the CA Schedule CA 540. Note the placement of the taxable portion of railroad retirement benefits located in Column B of the CA Schedule CA 540, line 16.

### Form 540, Page 1

Once the federal return is complete and correct, double click on CA 540 Page 1. TaxWise automatically enters most line amounts on Page 1 of the 540. Even without a red error, double check all entries on this page.

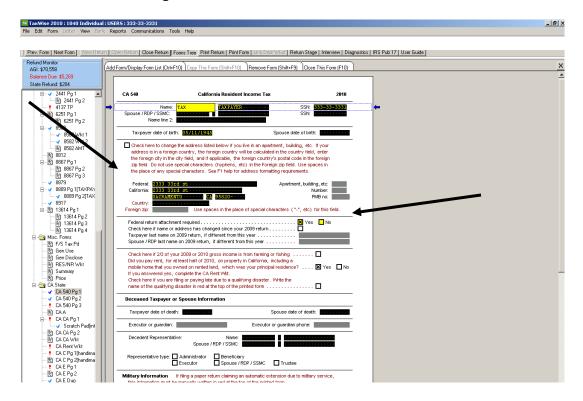
### Name, SSN, and Address

TaxWise completes this step. Double check the taxpayer's name and address for state purposes. If TaxWise leaves any field blank, check the federal return and the Main Information Sheet. Use the check box to change the California address and to add an apartment number on the California address line.

**Note:** California addresses with less than 32 characters, including spaces and apartment numbers, do not require the check box described above.



**Note**: How to change address information on the state return.



# Form 540, Page 2 Filing Status

TaxWise completes this step. State filing status must be the same as the filing status on the federal tax return. See the General Information section for exceptions. Call the FTB Volunteer Hotline, **800.522.5665**, for information on Registered Domestic Partners or nonresident spouse.

Important Note: State filing status and exemption credits must be the same as used on the federal return.

#### **Exemptions**

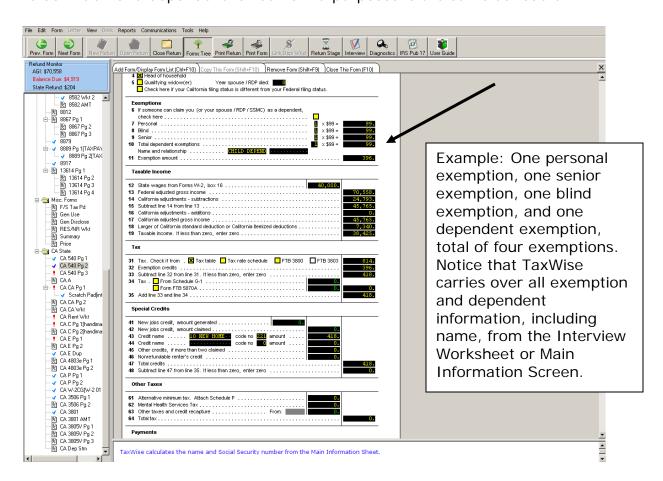
TaxWise completes this step. The number of state exemption credits must be the same as the number of exemption credits on the federal return.

Federal and state treat exemption credits differently. TaxWise automatically calculates exemption credits from information entered on the Interview Worksheet, Main Info screen, and federal Form 1040. State exemption credits decrease actual tax. Federal exemption credits decrease taxable income.



California gives additional credits to individuals over the age of 65 or blind. If both spouses on a tax return are over age 65 or blind they receive two additional exemption credits. When a client claims the blindness exemption for the first time, attach a physician's statement to the back of the paper tax return and e-file clients keep the physician's statement with their records. FTB may send a letter requesting the statement. See the General Information section for more detail and the definition of visual impairment.

The definition of a dependent for California purposes is the same as federal.



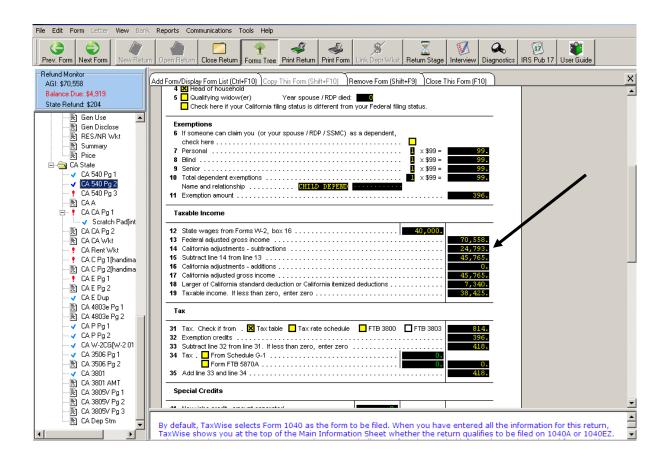
### **Taxable Income**

TaxWise completes most of this step. Notice that most of the line amounts are yellow. This means TaxWise calculates the field. However, it is vitally important that you review each line to make sure the information transfers correctly from the federal tax return.

If the tax return shows a California adjustment for line 14 or line 16, double check CA Schedule CA 540 for accuracy. Press F9 with the cursor on line 14 to link to the CA Schedule CA 540. Do not try to link from the CA Schedule CA 540.



When you see an amount on line 14 or line 16 of the Form 540, Page 2, always open the CA Schedule CA 540 and double-check the adjustments.



### **CA Schedule CA 540 Adjustments**

California does not tax certain types of income that may be taxable on the federal return. You must complete a CA Schedule CA 540 (See CA CA Page 1 on the forms tree) when there are differences in income taxability between federal and state. Even though TaxWise automatically figures most of these adjustments for you, it is still very important that you check to make sure all adjustments are correct. Find differences between federal and state tax law in the Introduction and General Information section of this manual and in FTB Publication 1001, Supplemental Guidelines to California Adjustments.

Form 540, Page 2, line 14 includes all income taxable on the federal return and not taxable by California. Line 14 is always the same as the figure calculated on line 37, column B, on the CA Schedule CA 540. Line 14 decreases taxable income.

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# 2011 CALIFORNIA VOLUNTEER REFERENCE MANUAL – TaxWise Tips

#### California does not tax:

- State income tax refunds from any state.
- Unemployment compensation/paid Family Medical Leave.
- Social security benefits.
- Tier 1 and tier 2 railroad retirement benefits.
- California Lottery.
- Interest earned from U.S. Savings bonds, U.S. Treasury Bills, or any other bonds of the U.S. and U.S. territories.

Line 16 includes all income that is nontaxable on the federal tax return but is taxable by California. The amount on line 16, Form 540, Page 2 is always the same as the amount on CA Schedule CA 540, line 37, column C. Line 16 increases taxable income.

#### California does tax:

- Foreign earned income or foreign social security.
- Interest income from bonds issued by a state other than California.
- Interest income from municipal bonds issued by a county, city, town, or other local government unit in a state other then California.
- Interest income from obligations of the District of Columbia issued after December 27, 1973.

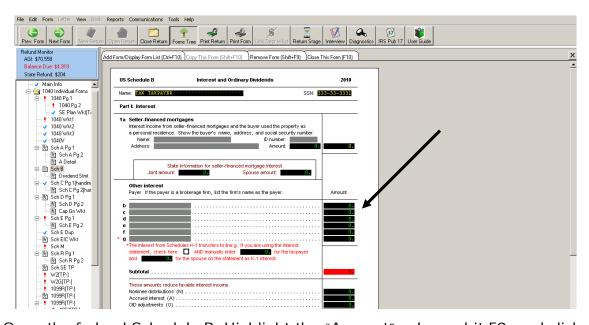
### Line 7 Wages, Salaries, Tips, Etc.

Generally, do not make any adjustments on this line. Some exceptions include employer HSA contributions and certain American Indian tribal income. For additional information see the Form 540/540A Booklet and FTB Publication 1001, Supplemental Guidelines to California Adjustments. Directly enter allowable exceptions on line 7.

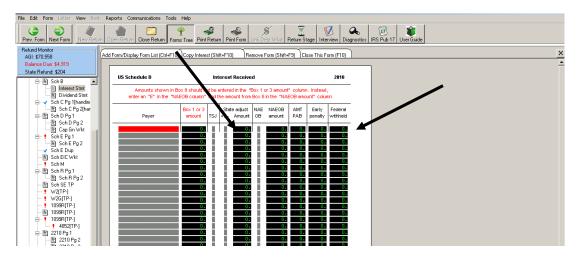
#### Line 8 Taxable Interest Income

The most common type of interest you calculate is simple interest from a taxpayer's checking or savings account. For example, to adjust savings bond interest, TaxWise automatically makes this adjustment when you enter the correct information.





Open the federal Schedule B. Highlight the "Amount" column, hit F9, and click "Interest Statement" or right click and choose "Link," then "Interest Statement."

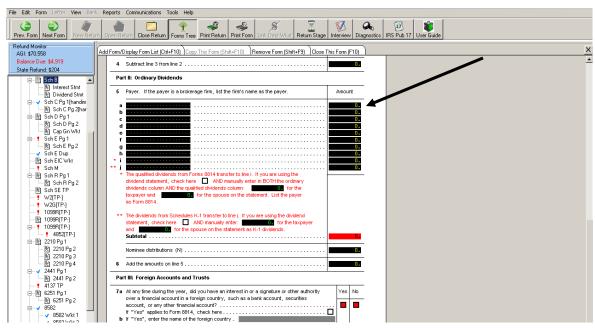


Designate interest income entries on federal Schedule B interest statement, State Adjust Amount column, with a "+" for interest that needs to be added to the state and is exempt from tax on the federal tax return. Place a "-" in the column for interest nontaxable to the state but taxable on the federal tax return. TaxWise automatically transfers this addition or subtraction amount to the CA Schedule CA 540, line 8, in the appropriate state adjustment column. Column B entries identify income nontaxable to California but taxable to federal. Column C entries identify income taxable to California but nontaxable to federal.

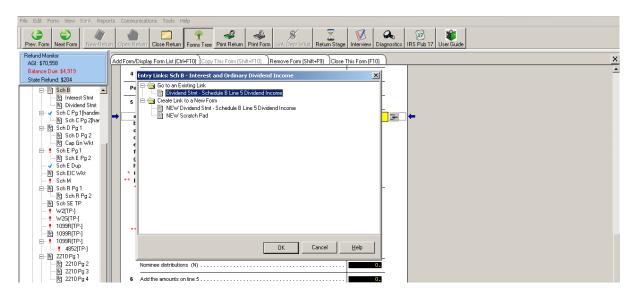


### Line 9 Ordinary Dividends

Enter dividend income on the federal Schedule B, Part II – Ordinary Dividends. If your client has California adjustments for dividend income, TaxWise automatically makes this adjustment from information entered on the Dividend Income Worksheet.



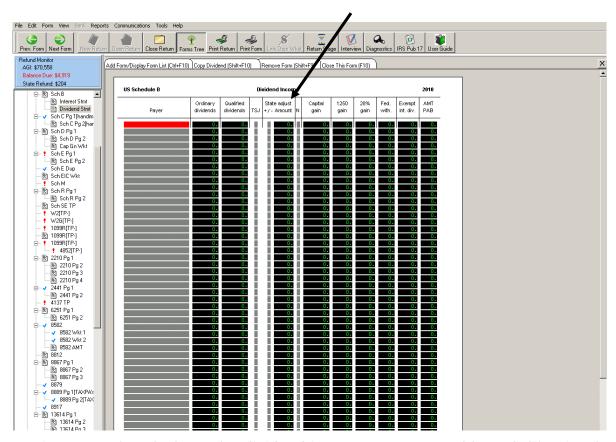
Use the same procedure on the Ordinary Dividends section as you do for the Interest Statement. Link from the amount column and choose Dividend Statement.



Highlight Dividend Statement and click "OK."



Designate dividend income entries with a "+" for dividend income exempt from federal tax but taxable on the state tax return. Place a "-" in the column for dividend income nontaxable to California but taxable on the federal tax return. TaxWise transfers this addition or subtraction amount on the CA Schedule CA 540, line 9, in the appropriate state adjustment column. Find more information about dividends in the General Information section.



TaxWise correctly calculates the dividend income amount taxable to California when the "Dividend Income Statement" is complete. For exempt interest dividends from mutual funds, please see the General Information section.

#### Line 10 State Tax Refund

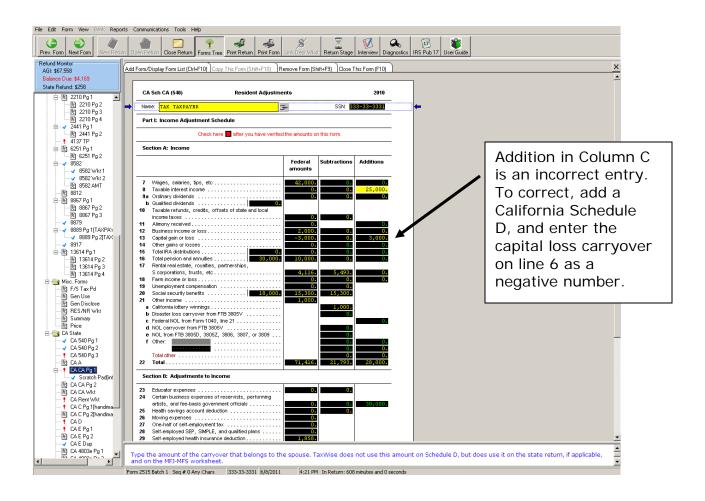
TaxWise automatically transfers any state tax refund amount to CA Schedule CA 540, line 10, column B, from information entered on the State Tax Refund Worksheet. You need the amount of the refund, the amount of itemized deductions from the prior year, and the prior year AGI.

Double-check CA Schedule CA 540, line 13, for capital gain and loss accuracy. In some instances, TaxWise requires a CA Schedule D to correctly calculate taxability of dividend income and capital losses found on the federal tax return.



### Line 13 Capital Gain (or Loss)

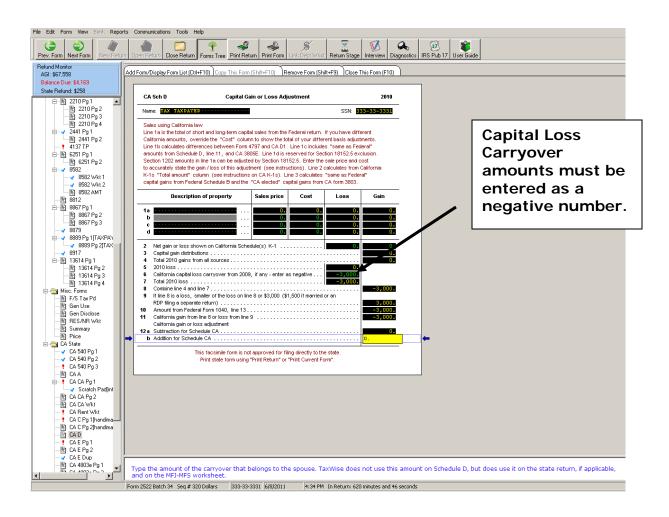
If your client reports a Capital Loss Carryover on the federal tax return, TaxWise adds the carryover back on the state tax return as an addition to income.



Watch for Capital Loss Carryovers added back into the California return.



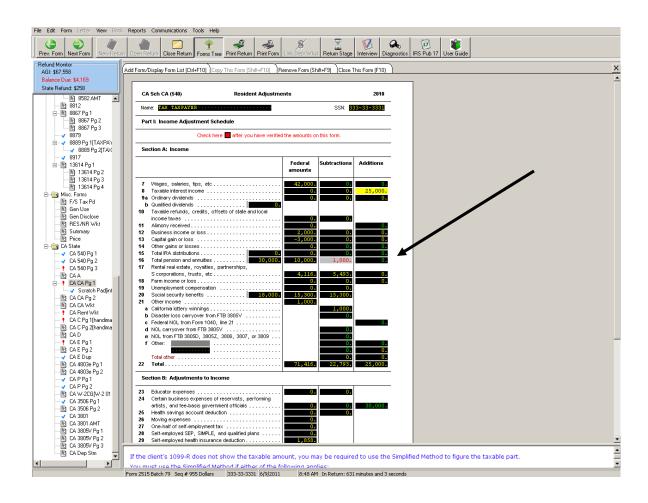
To remove the Capital Loss Carryover as an addition (column C of CA Schedule CA 540), open the CA Schedule D and enter the Capital Loss Carryover amount as a negative number on line 6. This forces TaxWise to include the carryover on the state tax return, and removes the addition from the CA Schedule CA 540.



#### Line 15 Total IRA Distributions

Enter the amount, if any, of your client's California basis. In general, the federal and state tax IRA distributions the same. Differences occur when contributions were made during 1975, or 1982 through 1986. To calculate the difference in basis between federal and state, your client provides records detailing the contribution amounts made and deductions taken for the years above. Find an IRA adjustment worksheet in the General Information section of this manual. Find more information in FTB Publication 1005, *Pension and Annuity Guidelines*.





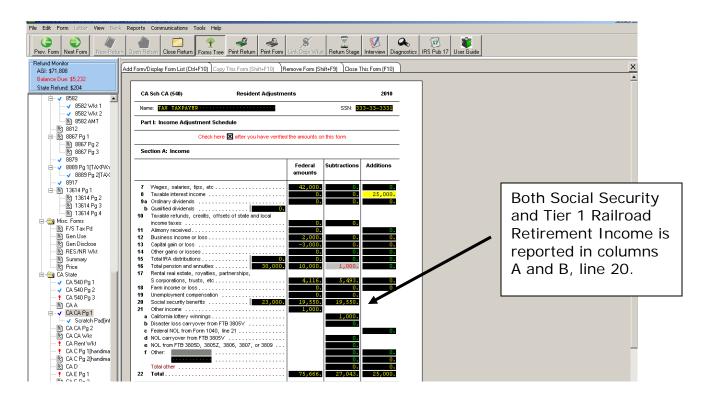
Complete the IRA Adjustment Worksheet, based on the clients' records, and override (F8) the subtraction column, CA Schedule CA 540, to enter the amount of nontaxable IRA California basis. If the client does not provide records, do not make the adjustment.

#### **Line 16 Total Pensions and Annuities**

California and federal law generally treat pension and annuity income the same. If your client receives a 1099R with railroad tier 1 or tier 2 income, check the General Information section, FTB Publication 1005, *Pension and Annuity Guidelines* and the example 1099R in this section for additional information.

California treats railroad retirement, tier 1 and tier 2, income similarly to social security income. Any federally taxable tier 2 income listed on Schedule CA, line 16, column A, also needs to be entered on line 16, column B. Tier 1 railroad retirement income is entered on the TaxWise form 1040 Wkt 1. TaxWise automatically completes CA Schedule CA 540, line 20, columns A and B, correctly.





### **Line 20 Social Security Benefits**

TaxWise automatically deducts the federally taxable social security income amount listed on Form 1040, line 20(b) in column B, CA Schedule CA 540.

## Line 21 Other Income California Lottery

TaxWise deducts California lottery winnings on the CA Schedule CA 540, column B. Reference the Taxwise example and instructions for W2G provided in this section.

### **Nonqualified HSA Distributions**

Distributions from an HSA not used for qualified medical expenses, and included in federal income, are not taxable for California purposes. On CA Schedule CA 540, direct enter on line 21f, a description of the income type (ex: Nonqual HSA) and in column B, the amount of federally taxable distribution.

For additional information on line 21f income, reference the 540/540A Instruction Booklet, FTB Publication 1001, *Supplemental Guidelines to California Adjustments*, and the 540 section of this manual.

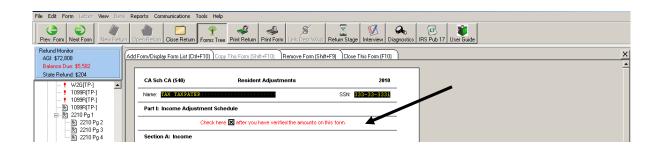
### CA Schedule CA 540 - Part II & III

California itemized deductions differ from federal itemized deductions. California disallows any deduction of state or foreign taxes, sales tax, or SDI. **New for 2011, California requires a parcel number for real estate tax deduction.** 

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# 2011 CALIFORNIA VOLUNTEER REFERENCE MANUAL – TaxWise Tips

Once you complete the CA Schedule CA 540, check the box at the top of the TaxWise form stating that you verify the amounts on the form.



## Form 540 Page 1

### **Tax Section**

TaxWise completes this step. TaxWise calculates this figure using information entered on the federal tax return, the Form(s) W2 and 1099, and income worksheets completed by the preparer.

### Form 540 Page 2

### Special Credits and Nonrefundable Renter's Credit

This step contains several lines that will not carry over from the federal tax return. For more information on California credits reference the General Information and 540 sections in this manual and the 540/540A Instruction Booklet.

#### Line 43 and Line 44 Credits

To claim the Joint Custody Head of Household Credit:

- 1. Highlight line 43 on Form 540.
- 2. F9 to link.
- 3. Choose CA Sch P, Page 2. Locate Joint Custody Head of Household credit.
- 4. Manually enter amount of credit from worksheet in 540 Section of this manual.
- 5. TaxWise transfers the credit name and amount from CA Sch P to line 43.

To locate credit name abbreviations and credit code numbers, highlight line 43 and F1 to link. Choose CA Codes and then California Credit Names and Codes in the drop down box.

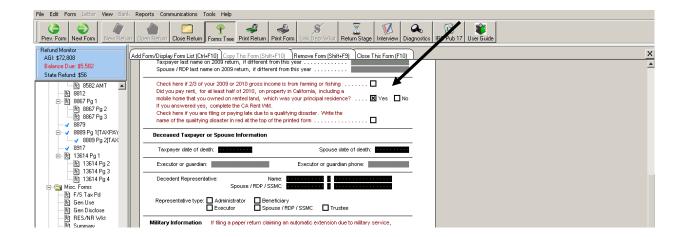
#### Line 46 Nonrefundable Renter's Credit

The Nonrefundable Renter's Credit is one of the few line items that is not automatic for TaxWise. You must remember to ask your client if they qualify. If the taxpayer meets the requirements, complete the renter's credit worksheet.



#### To claim the credit:

- Check "Yes" to the question regarding rent on Form 540, Page 1.
- Find the Nonrefundable Renter's Credit worksheet in the Forms Tree and answer completely. Make sure to complete all fields highlighted red.
- The form asks for landlord's name, address, and phone number. For e-file tax returns, the taxpayer may provide either name and address or name and telephone number. Advise the taxpayer to have the information available if they receive a letter from FTB.



Checking the "No" box will prevent TaxWise from placing the Nonrefundable Renter's Credit worksheet in the Forms Tree. Check the box "No" when:

- The California adjusted gross income, Form 540, line 17, exceeds the allowable income limit for the credit.
- Before applying withholding, there is zero tax owed on the California tax return.
- The client does not meet any other credit qualifications.

After completing the worksheet, TaxWise enters the appropriate amount for your clients' filing status. Although you can manually enter the amount of renter's credit on Form 540, use the worksheet to eliminate the most common qualification errors.

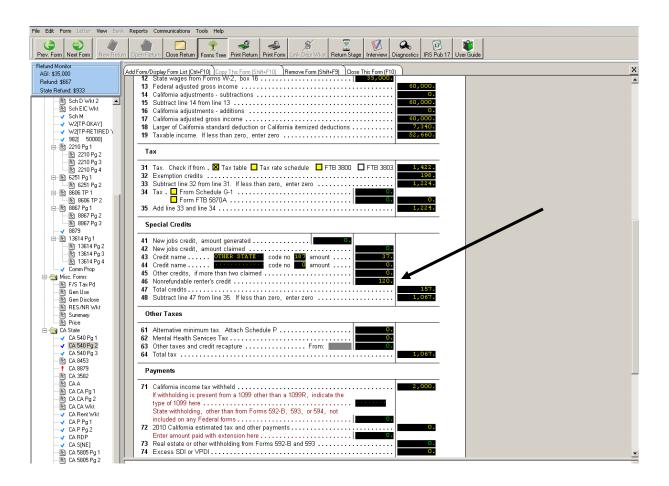
### **Renter's Credit Qualifications**

Income less than \$35,659 if single or married/RDP filing separately.



- Income less than \$71,318 or less if married/filing RDP filing jointly, head of household, or qualifying widow(er).
- Pay rent on a principal residence in California for 6 months or more during 2011.
- The county assesses property tax on the residence.

TaxWise automatically enters the correct amount of credit according to your clients' filing status and tax amount. If you need to make a change to the tax return after calculating the credit, completion of the Renter's Credit Worksheet allows the software to recalculate the credit based on changes made.



If the amount on line 46 is incorrect, double check the information below:

- Mark "Yes" on Form 540, Page 1.
- Clear all red errors on the Nonrefundable Renter's Credit Worksheet?



- Enter the total number of months rented on the worksheet.
- Double-check your client's California adjusted gross income.
- Is your client's tax amount less than the credit amount?

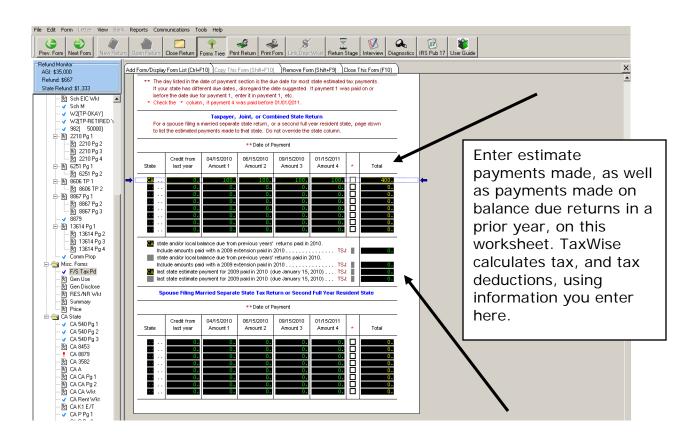
To claim other California credits, follow the instructions for the Joint Custody Head of Household credit, and substitute the credit name, code, and worksheet as appropriate.

### **Other Taxes**

TaxWise completes this step based on code information from the 1099R. Line 63, Other Taxes, shows the amount of additional tax California assesses on retirement plan income issued to a client prior to age 59½.

### **Payments**

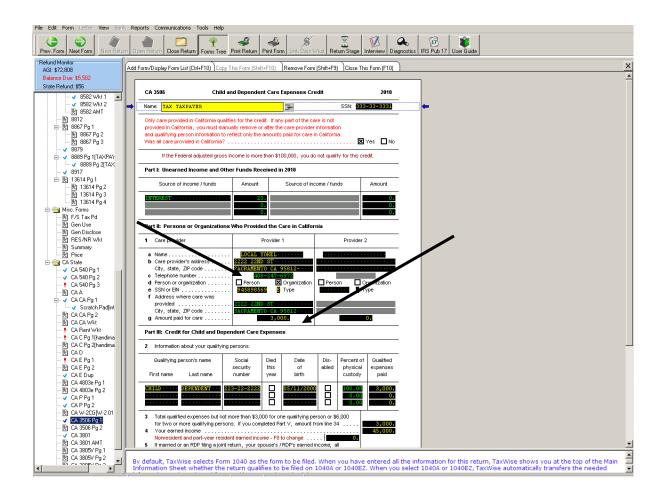
TaxWise completes this step. If no withholding is shown on line 71, or you disagree with the amount, the employer makes the correction for Form W2, 1099, and other supporting forms. If the taxpayer made 2011 CA estimated tax payments, complete the TaxWise worksheet F/S Tax Pd.





### Form 3506 Child and Dependent Care Expenses Credit

Reference the Introduction section of this manual for new information on this credit. The TaxWise CA 3506 comes pre-filled with information TaxWise transfers from the federal child and dependent care form. California requires completion of Part I. A provider telephone number is mandatory to claim the credit.



California also requires the client to state the address where child care was provided and the client's percentage of physical custody for the child or dependent. Input this information and the provider telephone number in FTB 3506, *Child and Dependent Care Expenses Credit*, Part II. Never submit a volunteer prepared tax return without this important information.

### Overpaid Tax or Tax Due

TaxWise completes this step.

### Contributions

Enter the amount of charitable contributions your client wants to deduct from the refund, if any.



#### **Refund or Amount You Owe**

TaxWise figures the amount of refund or balance due. Line down to check all calculations.

### **Interest and Penalties**

TaxWise figures the amounts of interest and penalties. Delete all penalties. Penalties and interest are beyond the scope of the VITA/TCE program. Inform your clients' that Franchise Tax Board computes the penalties and sends a bill.

### Do You Want to File This Form Electronically?

You will find this question on all forms 540, Page 3. Check the "Yes" box if you are going to electronically file for state. If electronically filing, does the taxpayer want to sign their tax return electronically? Check the "Yes" box. These two options should be set as a default by the site coordinator.



#### **Electronic Signature**

Electronic filing with TaxWise allows two options for the taxpayer to sign the tax return. Each taxpayer and spouse/RDP (if applicable) signs the tax return electronically, or physically signs the state Form 8453, *California e-file Authorization for Individuals*. Electronic signature, the practitioner PIN method, eliminates the requirement for Form 8453, *California e-file Authorization for Individuals*.

To use the electronic signature option on the state tax return, mark "Yes" on the Form CA 540, Page 3. This triggers the appropriate actions in TaxWise.

When you check the "Yes" box, TaxWise places form CA 8879 in your forms tree. You need to know your clients' 2010 California AGI in order to complete the **self-select** PIN signature method. Practitioner PIN does not require prior year California AGI and is preferred.

If you do not want your client to electronically sign the tax return, mark the "No" box on Form 540, page 3.

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# 2011 CALIFORNIA VOLUNTEER REFERENCE MANUAL – TaxWise Tips

### California Signature Documents Form 8453

A California Form 8453, *California e-file Authorization for Individuals*. is an e-file requirement for state forms if your client does not choose to electronically sign the state tax return.

Under the correct social security number, choose CA 8453 from the add tax forms screen. Line down to check all calculations. Double-check to make sure all fields are complete and there are no red errors.

Indicate on Form 540, Page 3, how the taxpayer wants their refund (direct deposit, mail a paper check, etc.) or how to pay the balance due (electronically debited or mail in the check). TaxWise prompts you with red highlights.

Original signatures for both taxpayer and spouse/RDP must be on all the state signature documents. Give this form back to the taxpayer and inform them to keep this copy with their tax return.

### E-file Signature Authorization Form CA 8879

Complete form CA 8879 when your client electronically signs the state tax return by using the Practitioner PIN method. Generally, this is faster and easier than using the self-select PIN method.

- If you used a PIN for the federal signature, check the box that allows TaxWise to use the same PIN for the state return. This may be set as a default by your site coordinator. Form 8879 is now complete!
- Complete refund or balance due information on Form 540, Page 3.

### **Required Defaults**

Make sure the following fields are set as tax form defaults.

- The "authorize" box on Form 8879 is checked for both taxpayer and spouse/RDP.
- Firm name, EFIN, ERO Pin, and SIDN fields entered on the Main Info Screen and federal Form 8879, and transferred in yellow to Form 540, Page 3, and Form CA 8879.

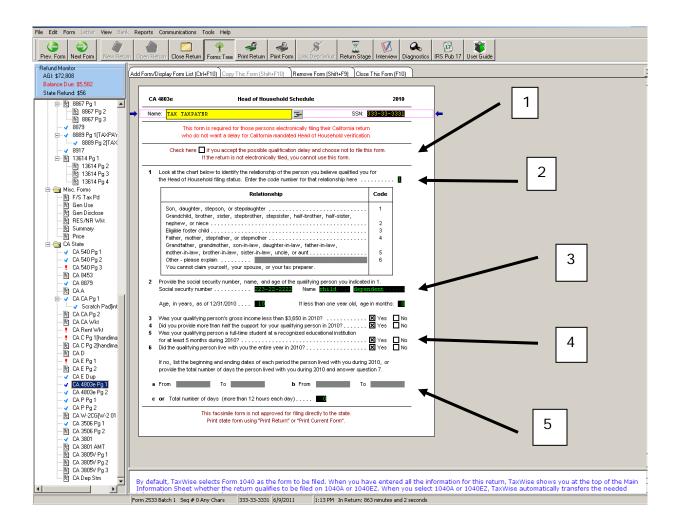
**Hint:** The client's ZIP code is an easy PIN to use. The client will not need to remember the PIN. It is most important that the client retain the signed 8879.

### **Head of Household**

Submit a Head of Household Schedule (Form CA 4803e) with every e-file claiming the head of household filing status. This form may only be submitted with e-filed tax returns. Taxpayers filing paper tax returns or filing without the schedule receive a questionnaire in the mail. If that questionnaire is not returned within a specific time frame, Franchise Tax Board issues an assessment, and ultimately a bill, for the



single filing status tax amount to the taxpayer. Always help the taxpayer complete the HOH Questionnaire. This is in their best interest.



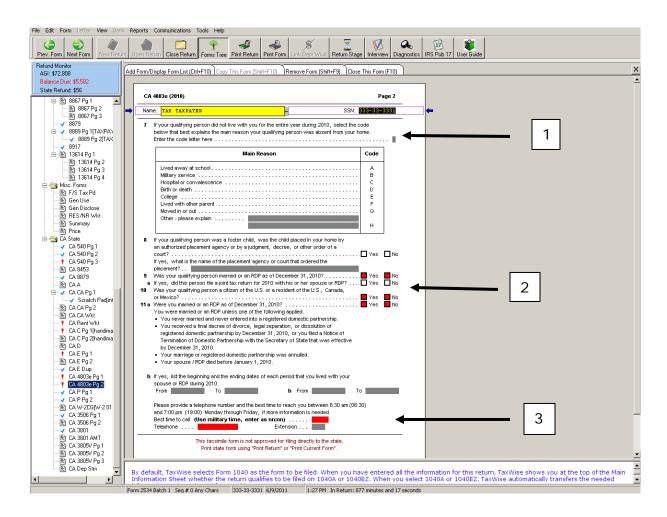
Complete all red fields on this form.

- 1. Check this box is your client chooses not to complete the form, accept a filing status qualification delay, and a substantial delay to receive their refund. Otherwise, leave it blank.
- 2. Enter the appropriate code number for the clients' relationship with the individual that qualifies your client for head of household filing status.
- 3. Provide the social security number and name of the individual that qualifies your client for head of household filing status.
- 4. Answer questions 3 through 6 appropriately.



5. If you answered "Yes" to question 6 do not enter anything in the remaining fields on Form 4803e, Page 1. If you answered "No", enter the applicable dates that the qualifying individual lived with your client or the total number of days during the year the individual lived with your client.

## Form 4803e, Page 2



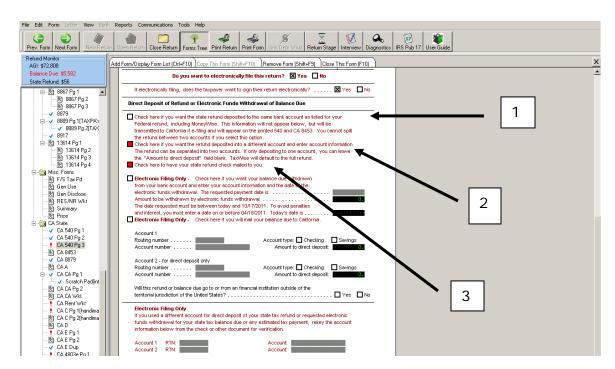
- 1. Do not enter anything in this box if the qualifying individual lived with your client for the entire year. If the qualifying individual did not live with your client for the entire year, enter the appropriate code for the qualifying individual's absence.
- TaxWise highlights red fields that are applicable based on answers provided on Form 4803e, Page 1. Appropriately answer questions 9 through 11. Make sure to clear all red fields.



3. Do not enter time as shown in the example on the form. Use military format without punctuation, ex: 1200 for noon, 1700 for 5 pm. Always enter a telephone number. If FTB questions the form, a telephone number substantially speeds qualification.

### **Refund Direct Deposit**

Direct deposit refunds, and even split refunds, into two different accounts. Taxpayers pick a date and automatically debit balances due from their bank account. Complete the information at the bottom of Form 540, Page 3. The request includes the same bank information as entered on the federal tax return or information for a different bank for state refund or debit. Any tax return that includes refunds for one entity and debits for another require software manipulation. TaxWise diagnostics tool guides you through the process.

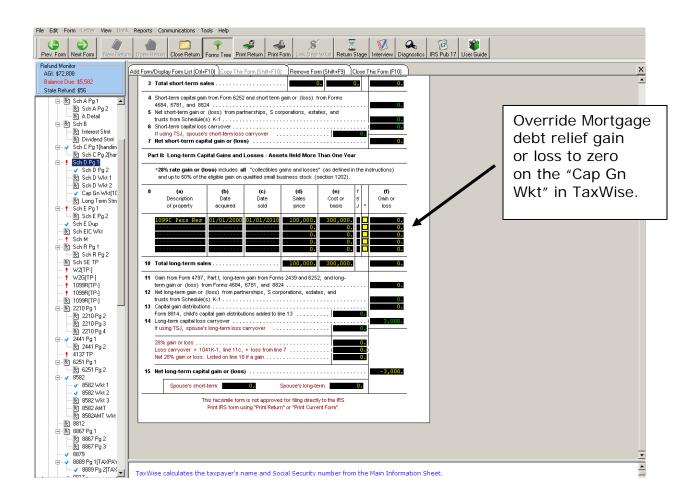


- 1. Check the first box in this section if your client wants their state tax refund automatically deposited into the same bank account used on the federal tax return. **Do not** enter bank account information in the spaces below the check boxes.
- 2. Check the second box if there is a debit for state and a refund for federal, or a debit for federal and a refund for state. Enter the bank routing and account number information in the spaces below the check boxes, even if the client uses the same bank account for both entities.



3. Check the third box if the client prefers the state refund check mailed to the address on the tax return.

**Important Note:** The banking information may not appear on the printed Form 540 but should appear on the TaxWise version of Form 540 and the printed federal form. The correct information is transmitted through the e-file process.



To correctly report 1099-C, Mortgage Debt Relief, on the state tax return, use the federal Schedule D, Capital Gain Worksheet, and federal Form 982. There should be zero gain or loss. TaxWise correctly calculates the 1099-C statement flow through to the state tax return.

Use the TaxWise Capital Gain Worksheet to override the gain or loss to zero. Follow the federal instructions for completion of Form 982 and reduction of basis.

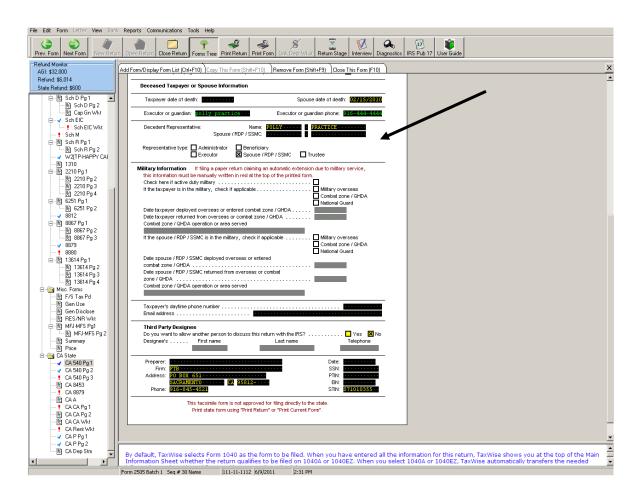
Any difference in basis, mortgage indebtedness, or mortgage debt relief amounts between federal and state is out of scope for the VITA/TCE program.



Report 1099-C income unrelated to Mortgage Debt relief on line 21f of the federal tax return. TaxWise correctly calculates line 21f, 1099-C, as taxable income.

### **Deceased Taxpayers**

The California tax return requires several steps when filing for a decedent. Executor, PIN, and 8879 fields need review and revision.



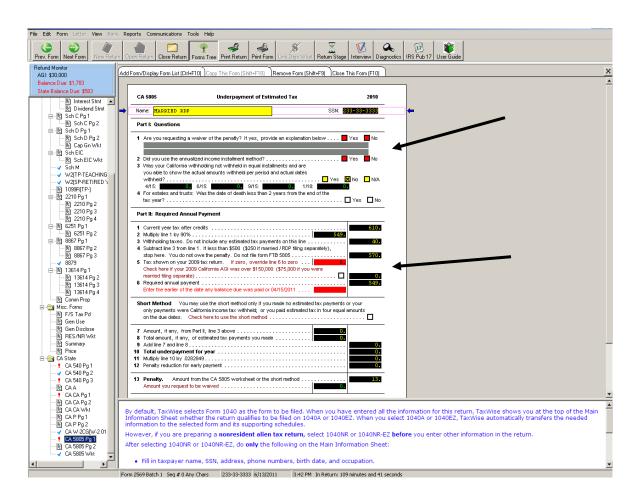
List an executor for all deceased taxpayers on the California tax return, Form 540, Page 1, even if MFJ filing status with surviving spouse/RDP as sole beneficiary. Enter the surviving spouse/RDP name in the executor field and check the box marked Spouse/RDP.

The deceased taxpayer field must also list a Practitioner PIN on the California tax return and complete the ERO declaration on the California 8879.

### **Estimate Penalty**

Always inform the taxpayer that FTB sends a bill for estimate penalties owed, but the volunteer program does not calculate penalty amounts.





Tax owed in excess of \$500 forces the FTB Form 5805. Check No on boxes 1 and 2. Override line 6 to zero. Estimate penalty will calculate to zero. Override line 5 to get the red out. Leave the zero in line 5.

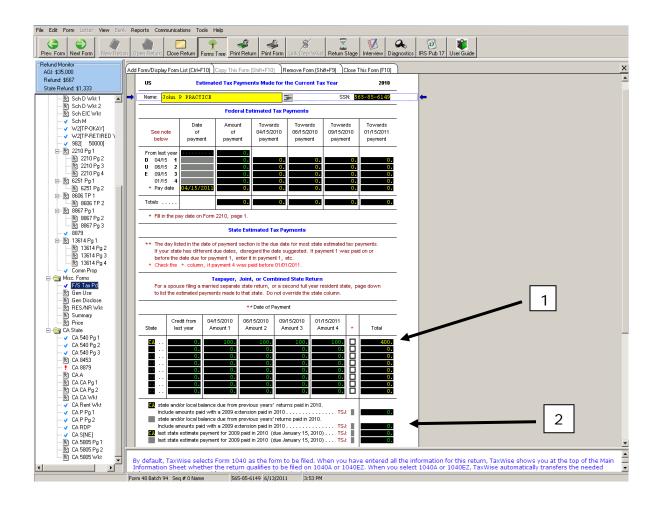
Entering a tax amount in line 5 that is less than or equal to the amount of tax owed on the prior year tax return, or a tax amount equal to the amount of current year withholding, also recalculates the estimate penalty to zero.

Let the red fields be your guide on Form 5805. Complete only the red fields.

### **State Estimate Payments Sent**

Use the F/S Pd Worksheet. Under the heading Taxpayer, Joint, or Combined State Tax Return, enter in the CA line, under the appropriate date paid, each estimate payment sent to the Franchise Tax Board. TaxWise automatically calculates the total and enters the total on line 72 of Form 540, Page 2.



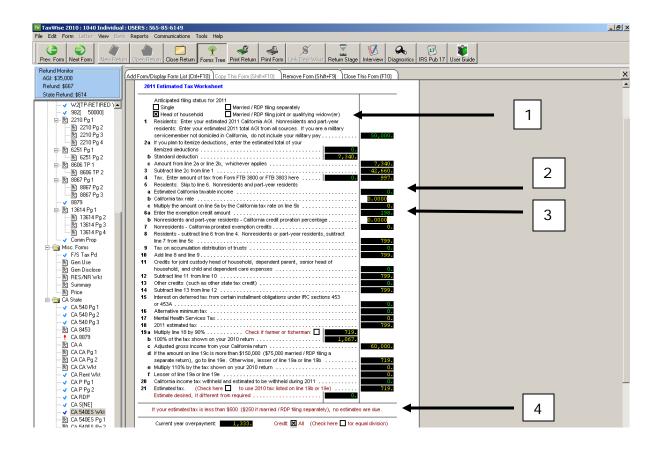


- 1. Enter the amount of estimate payments made under the appropriate date. Taxpayers often bring in handwritten estimate payment information. Use information provided by the taxpayer. If FTB finds any difference in estimate amounts, a *Return Information Notice* is sent to the taxpayer.
- 2. Enter any state tax paid owed on the 2010 tax return and paid in 2011. Also enter any 2010 state estimate tax paid in 2011and not deducted on a prior year tax return.

### **Calculate State Estimate Payments**

Add a form, CA 540ES Wkt. Check filing status box, complete line 1. TaxWise calculates estimated payments owed. To enter a different amount, complete line 21, Estimate Desired. TaxWise recalculates the tax and completes all vouchers.





- 1. Select filing status.
- 2. Enter estimated California AGI. You also have the option to enter projected itemized deductions. If you do not, the system will automatically pick the standard deduction.
- 3. Enter the amount of exemption credits.
- 4. Option to use current year refund as estimate payments for next season. The taxpayer may opt to apply the refund equally to all quarters, or use the entire refund for only the first quarter estimate payment. An option also exists to change the TaxWise calculated estimate payment requirement to an amount of your choosing. Exercise caution changing any calculation.

#### Important Information

When using the debit option for a balance due, when e-filing a tax return, manually



enter the banking information twice. The FTB website allows the taxpayer to pay by credit card. There is also an option for the taxpayer to mail the payment and payment voucher (FTB 3582 e-file) directly to the Franchise Tax Board.

You may also request a debit of state estimate payments using TaxWise. Complete the CA 540ES Wkt, TaxWise automatically enters estimated debit amounts on Form 540, page 3, in the Electronic Filing Estimated Tax Payments field. Check the boxes next to the estimate payment dates to designate the direct debit option.

Taxpayers may go to <a href="www.ftb.ca.gov">www.ftb.ca.gov</a>, search online services, then Web Pay, for options to direct debit tax return balances, estimate payments, or an extension payment. This service requires the taxpayer's social security number, last name on the tax return, and the aforementioned information much match FTB records.

#### **Volunteer Procedures**

As a volunteer tax assistant, always provide your clients accurate information, follow the procedures in the Volunteer Reference Manual, and protect confidential taxpayer information.

Refer questions regarding state tax law to the Franchise Tax Board Volunteer Hotline, **800.522.5665**. Also order forms, reference manuals, and posters using this toll-free number, and locate additional VITA/TCE sites statewide. This number is for volunteer use only. **Please do not give this number to the taxpayer**.

If a taxpayer needs to contact the Franchise Tax Board, please ask them to call 800.852.5711 for customer service or 800.338.0505 for automated telephone service.

Call the volunteer hotline or your local volunteer program coordinator to obtain a *Volunteer Reference Manual*.

All tax return information is confidential. Volunteers discuss information about tax returns prepared when seeking tax or procedural help from their local volunteer program coordinator or the volunteer hotlines only. The VITA program destroys all taxpayer information once the e-file process completes. Please delete all records on TaxWise at the end of each volunteer tax program season. Credibility of the VITA/TCE program is lost when unauthorized disclosure of information occurs. Examine your site location for maximum privacy for volunteers and clients.

Under no circumstances accept any form of payment either for your services or on behalf of the Franchise Tax Board. For more information please see the Volunteer Procedure section in this manual.

Hope you enjoy TaxWise training. For more options, check out FTB's volunteer online training program at ftb.ca.gov.